2020 Legislative Luncheon

Kara Moriarty
President & CEO
Alaska Oil & Gas Association

January 23, 2020
AOGA Membership
Cook Inlet
Interior/Valdez

PETRO STAR INC.

AKOG

PEOPLE • PRIDE • PETROLEUM
North Slope
### Oil & Gas Generates Positive Revenue

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<tbody>
<tr>
<td>Production Tax</td>
<td>2,606</td>
<td>382</td>
<td>177</td>
<td>126</td>
<td>741</td>
<td>587</td>
<td>770</td>
</tr>
<tr>
<td>Prop. Tax-State</td>
<td>128</td>
<td>125</td>
<td>112</td>
<td>120</td>
<td>122</td>
<td>120</td>
<td>121</td>
</tr>
<tr>
<td>Prop. Tax-Local</td>
<td>418</td>
<td>447</td>
<td>440</td>
<td>443</td>
<td>440</td>
<td>447</td>
<td>439</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>308</td>
<td>95</td>
<td>(59)</td>
<td>(59)</td>
<td>66</td>
<td>48</td>
<td>95</td>
</tr>
<tr>
<td>Taxes Subtotal</td>
<td>3,460</td>
<td>1,049</td>
<td>670</td>
<td>630</td>
<td>1,369</td>
<td>1,372</td>
<td>1,425</td>
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<tr>
<th>Royalty</th>
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<tbody>
<tr>
<td>Royalty</td>
<td>2,471</td>
<td>1,570</td>
<td>1,237</td>
<td>1,016</td>
<td>1,341</td>
<td>1,460</td>
<td>1,516</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>220</td>
<td>187</td>
<td>160</td>
<td>497</td>
<td>178</td>
<td>239</td>
<td>247</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td><strong>6,151</strong></td>
<td><strong>2,807</strong></td>
<td><strong>2,067</strong></td>
<td><strong>2,143</strong></td>
<td><strong>2,888</strong></td>
<td><strong>3,070</strong></td>
<td><strong>3,188</strong></td>
</tr>
</tbody>
</table>

| Yearly Ave. Oil Price Dollar/Barrel of Oil | $107.57 | $ 72.58 | $ 43.18 | $ 49.43 | $ 63.61 | $ 69.46 | $ 67.64 |

Sources: 2019 Fall Revenue Sources Book: Pages 34, 63 and 89

Royalties Include: Unrestricted Royalties to General Fund, Royalties to Permanent Fund, and Royalties to Public School Trust Fund

Other includes: Constitutional Budget Reserve Fund Deposits; Bonuses, Rents & Interest; NPRA Rents, Royalties and bonuses; and Oil & Gas Hazardous Fund (470 Fund)
Oil & Gas = Most Revenue by Industry

Projected FY 2020 Revenue Comparison

- Total Oil Revenue to State/Local: $182,600,000
- Total Mining Revenue to State/Local: $140,000,000
- Total Comm. Fishing to State/Local

Total Revenue: $2,603,800,000

Source: DOR Revenue Sources Book & Presentations to House Resources Committee, April 2019
Alaska: 6th in U.S. Production

Six Month Average – Daily Production
April 2019 – September 2019

Texas: 5.1 million

California: 444,000

Colorado: 508,000

New Mexico: 906,000

Oklahoma: 582,000

North Dakota: 1.40 million

Alaska: 447,000

More Production & Revenue than Forecast

Through FY19:
~80,000 BOPD more production than projected under ACES

Estimated $1.5B+ additional State revenue vs ACES

This slide updated since 1-23-20 AOGA Legislative Luncheon Presentation
Core Fields are Key for Future

Investing in Core Fields: Prudhoe, Kuparuk River, Colville River (Alpine)

Prudhoe Bay, Kuparuk River and Colville River Units thru 2029 (estimated*): $11B capital 380 MM Bbls produced peaking at ~150,000 BOPD

*All numbers are gross estimates.
North Slope “Renaissance”

Based upon publicly available sources and ConocoPhillips estimates.

CORE FIELDS
Alpine: Fiord West, Narwhal
Kuparuk: Nuna, Eastern NEWS
Prudhoe Bay: I Pad, M Pad, VLBX
Core Fields Development Drilling

Hilcorp: Liberty development

Oil Search & Repsol
Pikka exploration & Nanushuk
development

COPA : Willow Appraisal and Development

GMT2 Development

2020 COPA Exploration: Harpoon

NEW 2016-2019 COPA Leases

NEW 2017-2018 COPA Leases

2018 COPA Exploration: Seismic Acquisition

Brooks Range Petro Co.: Mustang development and pad expansion

Hundreds of Thousands of New Barrels/Day and ~$24 Billion in Capital

Based upon publicly available sources and ConocoPhillips estimates.
Production Forecasts from ANWR

Alaskan crude oil production
million barrels per day

2018
history projections

High Oil and Gas Resource and Technology
High Oil Price
Reference
Low Oil Price
Low Oil and Gas Resource and Technology

Massive Natural Gas Resource

Alaska North Slope Gas Potential

Known Reserves: Unit and Gas Reserves

- **5,000 - 25,000 BCF**
- **400 - 1000 BCF**
- **0-100 BCF**

Total Resource =
- **35 TCF Proven**
- **200 TCF Potential**

Sources:
Thorn et al., TP96 (1996)
Sherwood and Craig, 2001 (EIA)
Bid, pers. comm., 2004 (USGS)
Long-term Alaska Forecast – Gas is Key

![Graph showing the long-term Alaska Forecast with Gas production peaking around 2030 and declining thereafter, compared to Oil production which remains relatively stable. The graph includes data from 2020 to 2056.]
Group submits petition books, setting stage for costly fight over Alaska oil taxes

“Major O&G tax changes should **be backed by substantial analysis** looking at both unique local factors as well as global comparables, not budgetary issues in any given year.”
- Ken Alper, Gov. Walker’s Tax Director, HB 411 presentation, 2018

“Despite the seemingly simple and straightforward title of the initiative bill, **the language of the bill is difficult to interpret and raises a number of implementation and constitutional questions.**”
- Department of Law, Oct. 2019

“The initiative sponsors have not stated what is fair, how they justify it, how they measure it or how the initiative attains fairness. They better have some basis, because **economically it is a mess.**”
- Roger Marks, Retired State Economist, Oct. 2019